

EXCELSIOR ACADEMY
FINANCIAL STATEMENTS
Year Ended June 30, 2009

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Board of Trustees
Excelsior Academy

We have compiled the accompanying statement of financial position of Excelsior Academy (a nonprofit organization) as of June 30, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Squire & Company, PC

November 17, 2009

EXCELSIOR ACADEMY
STATEMENT OF FINANCIAL POSITION

June 30, 2009

Assets:

Cash	\$ 106,281
Receivables:	
Federal	78,218
Capital assets:	
Equipment, net of accumulated depreciation	<u>30,850</u>
Total assets	<u>215,349</u>

Liabilities:

Long-term liabilities:	
Portion due or payable within one year:	
Note payable	17,450
Obligation under capital lease	2,124
Portion due or payable after one year:	
Note payable	167,841
Obligation under capital lease	<u>16,595</u>
Total liabilities	<u>204,010</u>

Net Assets:

Unrestricted, undesignated	<u><u>\$ 11,339</u></u>
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See accompanying notes and accountant's report.

**EXCELSIOR ACADEMY
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2009

Unrestricted Net Assets:

Revenues and support:

Local:

Interest \$ 24

Contributions 265

Federal 78,218

Total revenues and support 78,507

Expenses:

Program services:

School 53,229

Supporting services:

General 13,939

Total expenses 67,168

Change in Net Assets 11,339

Net Assets at Beginning of Year -

Net Assets at End of Year \$ 11,339

See accompanying notes and accountant's report.

EXCELSIOR ACADEMY
STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

Cash Flows from Operating Activities:

Change in net assets	\$ 11,339
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation of capital assets	509
Interest expense	1,081
Changes in operating assets and liabilities:	
Receivables	<u>(78,218)</u>
Total adjustments	<u>(76,628)</u>
Net cash used by operating activities	(65,289)

Cash Flows from Investing Activities:

Purchases of capital assets	(12,640)
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Cash Flows from Financing Activities:

Proceeds from note payable	<u>184,210</u>
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Net Change in Cash	106,281
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Cash at Beginning of Year

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Cash at End of Year

\$ 106,281

Supplemental Information:

The School paid no interest during the year ended June 30, 2009. Interest expense of \$1,081 was added to the note payable.

The School financed the purchase of equipment totaling \$18,719 with a capital lease obligation.

See accompanying notes and accountant's report.

EXCELSIOR ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009

	Program Services	Supporting Services	
	School	General	Totals
Salaries	\$ 29,521	\$ -	\$ 29,521
Professional and technical services	765	13,609	14,374
Other purchased services	3,212	-	3,212
Supplies	5,004	-	5,004
Property	11,107	-	11,107
Other	102	-	102
Interest	857	224	1,081
Depreciation	403	106	509
Total expenses	<u>\$ 53,229</u>	<u>\$ 13,939</u>	<u>\$ 67,168</u>

See accompanying notes and accountant's report.

EXCELSIOR ACADEMY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization and Activities – Excelsior Academy (the School) was incorporated in the state of Utah on August 30, 2007 as a nonprofit organization involved in public education. During the year ended June 30, 2009, the School expended funds under its charter school startup grant. The School will receive reimbursement for these expenses in the following year. The School is establishing a public charter school in Erda, Utah, that will serve students from kindergarten through grade eight with enrollment beginning in the 2009-2010 school year.

Basis of Accounting – These financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, capital assets, payables, debt, and other liabilities in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation – The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Income Taxes – The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code and is classified as a Section 501(c)(3) public charity.

Accounts Receivable – The School's accounts receivable consists of amounts due from federal sources. No allowance for doubtful accounts has been established, as the School deems all amounts to be fully collectible.

Capital Assets – Capital assets are recorded at cost (or, if donated, at the estimated fair value at the date of donation). Capital assets valued at \$1,000 or more are capitalized and depreciated, using the straight-line depreciation method, over the following estimated useful lives of the assets:

<u>Asset Class</u>	<u>Depreciable Lives (Years)</u>
Equipment	3 to 10

Maintenance, repairs, and renewals, which neither materially add value to the property nor prolong its useful economic life, are charged to expense as incurred.

EXCELSIOR ACADEMY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Donated Services – No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the School with specific programs, administration, fundraising, and Board assignments.

Advertising – Advertising costs are charged to expense as incurred and totaled \$489 for the year ended June 30, 2009.

Revenue Recognition – Operating funds for the School are derived principally from federal and state sources. The School receives state funding based on the number of students enrolled in the School. The School also receives federal and state grants on a reimbursement basis. Accordingly, grant revenues are recognized when qualifying expenses have been incurred and all other grant requirements have been met. Amounts of restricted grants received in excess of qualifying expenditures are recorded as deferred revenue. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted funds first, then unrestricted resources as they are needed.

Expense Allocation – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses (such as facilities costs, depreciation, and interest expense) related to more than one function are charged to programs and supporting services based on direct costs.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and support and expenses. Actual results could differ from those estimates.

Note 2. Concentrations

Cash Deposits – At June 30, 2009, the School's book balance of cash accounts totaled \$106,281 and the bank balance was \$132,896, all of which was covered by federal depository insurance.

Revenue and Support – The majority of the School's revenue and support comes from the U.S. Department of Education (passed through the Utah State Office of Education) and the State of Utah. Federal and state revenues are 99 percent of total revenue and support for the year ended June 30, 2009.

EXCELSIOR ACADEMY
NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Equipment	\$ -	\$ 31,359	\$ -	\$ 31,359
Accumulated depreciation for:				
Equipment	-	(509)	-	(509)
Total capital assets, net	<u>\$ -</u>	<u>\$ 30,850</u>	<u>\$ -</u>	<u>\$ 30,850</u>

Depreciation expense was \$509 for the year ended June 30, 2009.

Note 4. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable	\$ -	\$ 185,291	\$ -	\$ 185,291	\$ 17,450
Obligation under capital lease	-	18,719	-	18,719	2,124
Total long-term liabilities	<u>\$ -</u>	<u>\$ 204,010</u>	<u>\$ -</u>	<u>\$ 204,010</u>	<u>\$ 19,574</u>

Note Payable – During the year ended June 30, 2009, the School borrowed \$184,210 from Utah State Office of Education to finance start-up activities. The note bears interest at 1.4 percent. At June 30, 2009 the outstanding balance of the note was \$185,291, which includes accrued interest of \$1,081. Monthly payments of \$4,005 begin in February 2010. The future debt service of the loan is summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 17,450	\$ 2,573	\$ 20,023
2011	45,993	2,063	48,056
2012	46,643	1,412	48,055
2013	47,303	753	48,056
2014	27,902	131	28,033
	<u>\$ 185,291</u>	<u>\$ 6,932</u>	<u>\$ 192,223</u>

EXCELSIOR ACADEMY
NOTES TO FINANCIAL STATEMENTS

Note 4. Long-term Liabilities (Continued)

Obligation Under Capital Lease – The School has acquired certain equipment under a capital lease agreement. The following is a summary of assets held under capital lease at June 30, 2009:

Equipment	\$ 18,719
Accumulated depreciation	<u>-</u>
	<u>\$ 18,719</u>

Future minimum payments of obligation under capital lease together with their present values as of June 30, 2009 are summarized as follows:

<u>Year Ending June 30,</u>	
2010	\$ 3,393
2011	4,524
2012	4,524
2013	4,524
2014	4,524
2015-2017	<u>1,131</u>
Total minimum lease payments	22,620
Amount representing interest	<u>(3,901)</u>
Present value of minimum lease payments	<u>\$ 18,719</u>

EXCELSIOR ACADEMY
NOTES TO FINANCIAL STATEMENTS

Note 5. Commitments

Management Agreement – On August 28, 2008, the School entered into an agreement with Charter Solutions, Inc. to provide certain fiscal and administrative services through June 30, 2010. Charter Solutions, Inc. received compensation of two payments of \$5,000 during the start-up period and will receive twelve monthly payments of \$7,000 through June 30, 2010.

Operating Lease – The School entered into a noncancelable operating lease for equipment that expires June 30, 2014. Rental expense for the lease totaled \$377 for the year ended June 30, 2009. Future minimum lease payments under the operating lease are as follows:

Year Ending June 30,	
2010	\$ 4,524
2011	4,524
2012	4,524
2013	4,524
2014	4,147

Note 6. Facilities Lease

The School will lease its facilities (land and school building) under a capital lease. The economic substance of the lease is that considerably all of the risks and rewards of ownership has been transferred to the School and, accordingly, the facilities will be recorded in the School's assets and liabilities.

Lease payments are based on total square footage of the completed building. Lease payments increase 2.5 percent on September 1, 2010 and annually thereafter. The lease will begin August 2009 and expires August 30, 2034. The School has the option to renew the lease for an additional four terms of five years.

The School will record the lease on August 14, 2009 as assets recorded under capital lease of \$9,300,000 and a corresponding obligation under capital lease.

The lease agreement contains an option that allows the School to purchase the facilities for \$9,275,000 during the first year of the lease.

EXCELSIOR ACADEMY
NOTES TO FINANCIAL STATEMENTS

Note 6. Facilities Lease (Continued)

The following is a schedule by years of future minimum payments required under the lease together with their present value at the commencement of the lease:

<u>Year Ending</u> <u>June 30,</u>	
2010	\$ 668,988
2011	776,967
2012	796,391
2013	816,301
2014	836,709
2015-2019	4,507,966
2020-2024	5,100,351
2025-2029	5,770,578
2030-2034	6,528,880
2035	<u>229,909</u>
Total minimum lease payments	26,033,040
Amount representing interest	<u>(16,733,040)</u>
Present value of minimum lease payments	<u>\$ 9,300,000</u>

Amortization of the building held under capital lease will be included with depreciation expense over the 40-year estimated life of the building.

Excelsior Academy
Reconciliation of the Annual Financial Report (AFR) to the Financial Statements
As and for the year ended June 30, 2009

	<u>Actual FY 2009</u>
FUND BALANCE - ENDING (AFR / All Funds / Actual)	\$ 184,499
Capital assets (see Note 3):	
Equipment	31,359
Accumulated depreciation	<u>(509)</u>
Capital assets, net	30,850
Long-term liabilities (see Note 5):	
Note payable	(185,291)
Obligations under capital leases	<u>(18,719)</u>
Long-term liabilities, net	<u>(204,010)</u>
NET ASSETS - ENDING (Financial Statements - Balance Sheet)	<u>\$ 11,339</u>
 NET CHANGE IN FUND BALANCE (AFR / All Funds / Actual)	 \$ 184,499
Capital assets transactions:	
Capital outlays	12,640
Depreciation expense	<u>(509)</u>
Change in capital assets	12,131
Long-term liability transactions:	
Proceeds from note payable	<u>(185,291)</u>
CHANGE IN NET ASSETS (Financial Statements - Statement of Activities)	<u>\$ 11,339</u>